THE INFLUENCE OF CURRENT RATIO ON STOCK PRICE IN MANUFACTURING COMPANIES IN MULTIPLE INDUSTRY SECTORS LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2018-2020 PERIOD

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Abstract

This study aims to find out how the IDX's Current Ratio affects stock prices in manufacturing companies in various industrial sectors for three years, from 2018 to 2020. The company's financial statements and stock prices for the 2018-2020 period, use quantitative secondary data types. There are 11 business populations in this study. This study involves information on financial reports with a time series for the previous 3 years distributed from www.idx.co.id. sample for this study using purposive sampling. This study used a sample of 11 business actors from the previous three years, out of a total of 48 manufacturing business actors from various industries. Based on the findings of this study, stock prices are not significantly affected by the Current Ratio.

Keywords:*Current Ratio (CR), Stock price*

1. INTRODUCTION

1.1.Background of the Problem

The capital market is growing rapidly in Indonesia, this can be seen from the increasing number of offers purchased and the increasing volume of exchanges on the Indonesia Stock Exchange. This is possible because the capital market can be used as a tool to raise long-term funds from investors and even the public, which can then be channeled for the development of a country. The capital market can be seen as an effective medium in the development of a country. In order for investors to invest in the capital market, they must carefully consider various factors. As a result, capital market players always look for information that is in accordance with capital market conditions in making investment decisions. In making an investment, investors take into account several prospects, one of which is the company's financial performance. In theory, the demand for company shares can increase along with the increase in the company's financial performance.

According to the law of supply and demand, the price of a company's stock will rise in response to an increase in the demand for its stock.The stock price has its own important value for the company. If a company's bidding costs are high, this provides an open door for the company to get extra extra from investors. For investors, assuming an organization's bidding costs continue to increase, financiers will assume that the organization has good execution (Putri, 2015). Investors make investments to obtain profit per share through the closing price. Closing price is the closing stock price when the exchange is closed. Each increase must always be followed by an increase in the company's total assets and businesses whose total current assets always increase every year can affect the increase in the company's stock price. So stakeholders assess a company before buying shares of a company by calculating the size of the company.

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Siska A. Siahaan, Fenny Krisna Marpaung

Table 1.1 Problem Phenomena (Expressed in Full Rupiah,)

Issuer Name	Year	Current asset (CR)	Price Share
ASII	2018	133,609,000,000	8225
	2019	129,058,000,000,000	6925
	2020	132,308,000,000,000	6025
INDR	2018	48,099,674,619	5925
	2019	40,526,963,899	2430
	2020	42,657,043,486	3050
INDS	2018	1,134,664,034,610	2220
	2019	959,368,453,499	2300
	2020	1,001,966,532,378	2000
JECC	2018	1,134,664,034,610	6650
	2019	40,526,963,899	6175
	2020	931,144,662	5600
JSKY	2018	1,415,578,044,000	1020
	2019	327,675,649,757	210
	2020	315,396,855,513	230

The table above shows that the company's Total Current Assets PT. Astra International Tbk has increased but the share price has decreased. Where an increase in Total Current Assets is not always followed by an increase in Share Price or vice versa. Total company assets PT. Indospring Tbk has gone up, but the share price has gone down. When an increase in Total Assets is not always in line with an increase in Share Price or vice versa. In the phenomenon above, it can be seen that the movement of the stock prices of manufacturing companies in the various industrial sectors experienced changes which were not always followed by Total Current Assets. So in that case, to conduct additional research, the researcher raised the title: "The Influence of Current Ratio (CR), on Share Prices in Manufacturing Companies in the Various Industry Sector Listed on the Indonesia Stock Exchange in 2018-2020."

1.2. Literature Review

Stock price

The closing price of a share in a given year is known as the share price. Investors monitor the movement of each type of stock that is sampled. Because it is the price of the stock in the current market, the price of the stock is very easy to predict because it is the price in the actual market. Pricethe closing of a stock in a given year is known as the share price. Investors monitor the movement of each type of stock that is sampled. Because it is the price of the stock in the current market, the price of the stock is very easy to predict because it is the price in the actual market.

Current Ratio (CR)

The current ratio is used in this study to measure company liquidity. Kasmir (2012), the current ratio is a ratio that measures a company's ability to pay short-term debt or debt that is due when billed as a whole. The current ratio helps determine how well current assets cover current liabilities. This ratio can also be expressed as multiples or percentages, and if the ratio is 1:1 or 100%, it means that all current liabilities can be paid off by current assets. If above 1 or above

100%. That is, current assets must be much higher than the amount of current liabilities.

The current ratio is the most common ratio used to analyze a company's working capital position. This ratio ensures the value of liquid assets that will be converted into money several times the value of short-term debt. The current ratio (CR) is sometimes satisfactory for companies, but the amount and ratio of working capital depends on several factors. A universal standard ratio cannot be defined for all companies, it is just a simple rule to use as a starting point for further research or analysis. The current ratio shows the safety level of short-term creditors (margin of safety) or the company's ability to pay off these debts. However, a company with a high current ratio does not necessarily guarantee the company's debt at maturity because the ratio or distribution of current assets is unfavorable.

Formula Current Ratio

$$\text{Current Ratio} = \frac{\text{current asset}}{\text{current liabilities}} \times 100\%$$

1.3. Conceptual Framework

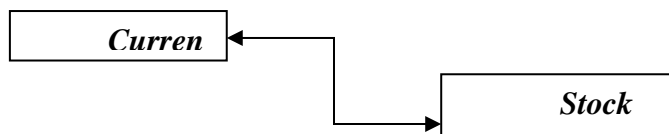Based on the theoretical study, the conceptual framework can be described as follows:

Figure I. Conceptual Framework

1.4. Research Hypothesis

The hypothesis can be formulated as follows: Current Ratio partially has an influence on stock prices in manufacturing companies in various industrial sectors listed on the IDX.

2. RESEARCH METHODOLOGY

2.1. Research Approach

Research uses a quantitative approach or data is measured numerically. A quantitative approach is a type of research that obtains findings that are not based on statistical procedures or quantification methods as in quantitative research, (Azuar & Irfan 2013). Types of research. Descriptive statistical research was used in this study. This type of research uses descriptive statistics to describe a data obtained without making general meanings or generalizations. (Sugiyono, 2016)

2.2. Population and Sample

The population is all the data that will be examined in the scope and time that has been determined (Kasmadi and Nia, 2018). The population of this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) and the financial statements used are sourced from www.idx.co.id. This population amounts to 48 sub-manufacturing companies in various industries. The sample is the result of selecting a population that is adjusted to the characteristics that have been determined. According to Sugiyono (2016). This research uses purposive sampling method.

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Siska A. Siahaan, Fenny Krisna Marpaung

Regarding the sample criteria used in this study are as follows:

1. The number of manufacturing companies that have been listed on the IDX consecutively from 2018 to 2020.
2. Manufacturing companies distributing financial reports for the 2018-2020 period.
3. Manufacturing companies that experienced profits in 3 consecutive years from 2018 to 2020.

No.	Information	Amount
1.	Number of Manufacturing Companies in various industrial sectors listed on the IDX	48
2.	Manufacturing companies in various industrial sectors that did not publish their complete financial reports during the 2018-2020 period	3
3.	Manufacturing companies in various industrial sectors that experienced losses in the 2018-2020 period.	(34)
	The number of companies used as a sample	11
	Total sample used for research (11×3)	33

In the sampling criteria, 11 Manufacturing Companies in the Various Industry sector with a 3-year period were registered as research samples on the Indonesia Stock Exchange.

2.3. Types and Sources of Data

The data source uses secondary data while the type of data uses quantitative data. The data obtained indirectly is called secondary data. Sources of data were obtained from the financial statements of various sub-industry manufacturing companies listed on the IDX.

2.4. Operational Definitions and Research Variables

The operational definition of each variable is:

No	Variable	definition	Scale	Formula
1	Stock price	Share value of a share issued . (Sawidji Widoatmojo, 2009:91)	Nominal	**Closing Price**
2	Current ratio (CR)	Comparison of total short-term assets with total short-term liabilities (kasmir, 2015: 135)	Ratio	**Current asset =** **Current Debt**

2.5. Data analysis techniques

The purpose of the data analysis method is to facilitate data processing by making it easier to understand. By showing the direction of the relationship between the independent variables and the dependent variable, regression analysis is used to measure the strength of the relationship between one or more variables (Ghozali, 2016:94). The statistical method used is simple linear regression analysis. Only one independent variable and one dependent variable are used in simple linear regression.

The simple linear regression formula is:

$$Y = a + bX$$

Information :

Y   = Stock Price
a   =price Y if X = 0 (constant price)
b   =the direction number or the regression coefficient shows the number of increases or decreases in the dependent variable based on the independent variable, if b is positive then there is an increase and if b is negative then there is a decline
X   =*Current Ratio*(Current Ratio)

3. RESULTS AND DISCUSSION

3.1.Descriptive Statistics

In this study SPSS 20 and Microsoft Office Excel 2016 were used to process data. The following is the result of processing the descriptive statistical data of this study.

1. Share Price

Based on the data provided in table 3.1 above, there are 33 samples (N) of manufacturing companies engaged in the Miscellaneous Industry sector, with an average share price of Rp.3189.54, a maximum share price of Rp.10500, a minimum share price of Rp.86, and a standard deviation of Rp.3161.46.

2. *Current Ratio*(CR)

Table 3.1 shows that there are 33 samples (N) of manufacturing companies in the Miscellaneous Industry sector, with an average CR of 2551.9, a maximum CR of 6505, a minimum

CR is 288.9, and the standard deviation of CR is 1868.5.

3.2.Classical Assumption Test

applied to show and justify whether the regression model in this review can be used or not. Using a simple linear regression analysis model, namely the condition of passing the classical assumption test.

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Siska A. Siahaan, Fenny Krisna Marpaung
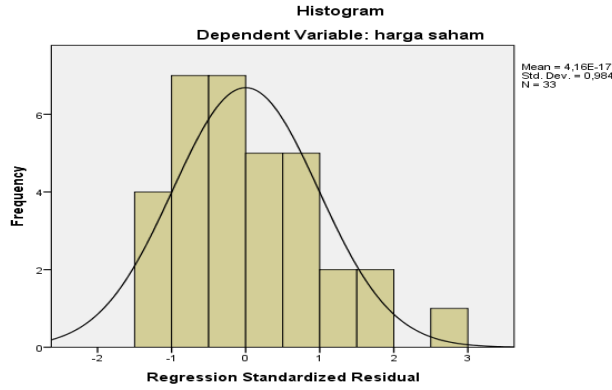
3.3.Test Normality

Figure 2 Histogram of Data After Transformation

Based on Figure 2, the histogram graph above shows an inverted bell-shaped curve line so it can be assumed that the data in this study are distributed normal because the pattern is not skewed to the left and not skewed to the right.
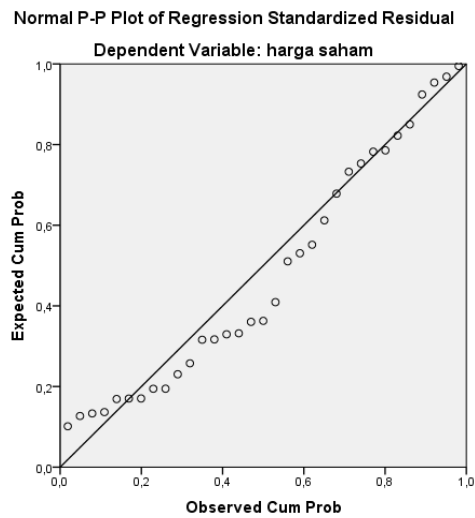

Figure 3 PP Plot Normality Test

The graph above, which is based on Figure 3, shows that the points are distributed close to the diagonal line which indicates the data is normally distributed.

Table 3.2 Kolmogorov Smirnov Normality Test
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residuals
N		33
Normal Parameters, b	Means	0E-7
	std. Deviation	3073,94874099
Most Extreme Differences	absolute	, 154
	Positive	, 154
	Negative	-.098
Kolmogorov-Smirnov Z		,887

asymp. Sig. (2-tailed)	,411

A significant calculation of 0.411 is higher than 0.05 on the stock price variable, indicating that the CR variable and stock prices meet the criteria for normally distributed data. Multicollinearity Test. The multicollinearity test is used to understand whether each independent variable has a linear relationship or a high correlation. The multicollinearity test results can be seen in the following table:

Table 3.3 Multicollinearity Test
Coefficientsa

Model		Collinearity Statistics	
		tolerance	VIF
1	(Constant)		
	current ratio	1,000	1,000

a. Dependent Variable: stock price

3.4. Discussion of Research Results

The Effect of CR on Stock Prices

The results of this test show that the Current Ratio has no significant negative effect on stock prices. The results of the statistical test show a significance value (Sig) of 0.191. It can be seen that it does not accept H1, which states that the independent variables have no influence on the devenden variables. This research shows that an increase in the current ratio can reduce the stock price. The result of this study shows that even though the company is very liquid because it has greater current assets than its current liabilities, the company has the ability to pay short-term debt that will mature. Yet investors are not interested in investing in their stocks, even though they see that the company is doing very well financially in terms of servicing short-term debt.

4. CONCLUSION

The conclusions from the results of this study are: The current ratio variable has a negative and insignificant effect on the variable price of manufacturing company shares in various industrial sectors listed on the IDX for the 2018-2020 period. A negative current ratio indicates that the company is not doing well, because it can show that the company's profitability is below the maximum profit that can be proven by the activitycarried out by the company. This causes the company's stock price to fall

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Siska A. Siahaan, Fenny Krisna Marpaung

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